

Intercarrier Compensation and IP Interconnection

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Promote IP Interconnection Policies

- ❖ Focus of intercarrier compensation policies must shift from circuit-switched (TDM) to IP networks to reflect market developments (regardless of technology used to serve end users)
 - Eliminate LATA and other jurisdictional traffic boundaries
- ❖ Current intercarrier compensation and TDM network interconnection arrangements are inefficient
 - Carriers are rapidly deploying innovative IP-enabled services to end users, thus TDM interconnection arrangements are quickly becoming outdated
 - Even where end users are served via TDM technology, IP interconnection and transport provides lower cost and more efficient exchange of traffic
- ❖ Adoption of strong IP interconnection policies within intercarrier compensation regime will create proper incentives to spur additional broadband deployment

Section 251 IP Interconnection

- ❖ Commission should adopt specific rules to create proper financial incentives to invest in IP-based networks
 - Policies should encourage IP intercarrier exchange of all traffic connected to the PSTN, whether IP originated or TDM originated
- ❖ Section 251(c)(2) requires ILECs to provide interconnection, “at any technically feasible point within the carrier’s network”
 - Includes interconnection to ILEC’s IP network for exchange of traffic in IP format regardless of technology used to serve end users
 - Format of carrier-to-end user exchange determined by serving carrier
 - For efficiency, maximum of one default IP point of interconnection (IP POI) should be established in each state

❖ TDM termination rates:

- TDM rates apply only to traffic delivered to TDM POI (i.e., ILEC tandem), regardless of originating format of traffic
- Traffic identified as IP-originated should not be subject to access charges
- Rates should be unified by transitioning access rates to reciprocal compensation levels

❖ IP termination rate:

- IP rate, set lower than TDM rates, should apply immediately to out-of-balance traffic delivered in IP format at IP POI
- Bill-and-keep may apply to traffic volumes that are roughly in-balance

- ❖ During Transition, N-1 carrier has option to deliver traffic to TDM POI or IP POI and pays corresponding rate
 - Once IP interconnection arrangements are in place, terminating carrier may not require conversion to a particular format for exchanging traffic
 - Any cost of converting traffic is incurred by terminating carrier
 - N-1 carrier has incentive to deploy broadband networks and IP-enabled services in order to take advantage of lower IP termination rate
- ❖ After Transition (5 years), all N-1 carriers must deliver all traffic to IP POIs (in IP format)
 - N-1 carrier may negotiate arrangement with terminating carriers or 3rd party to convert traffic to IP format and/or transport traffic to IP POI
 - N-1 carrier has added incentive to deploy IP networks and services to avoid cost of converting TDM traffic to required IP format
 - Terminating carrier has incentive to deploy IP networks and services to avoid cost of converting IP traffic to TDM before terminating to end user

- ❖ VoIP and other IP-enabled services connected to the PSTN (IP-PSTN services) should be declared jurisdictionally interstate
- ❖ Classification as telecommunications service or information service is not critical for intercarrier compensation purposes; IP-PSTN services contain telecommunications component
- ❖ FCC determination of proper intercarrier compensation scheme for IP-PSTN services should apply prospectively:
 - IP-PSTN traffic should not be subject to access charges under 251(g)
 - Termination rates for IP-PSTN traffic should be regulated under sections 251(b)(5) and 201 and set at reciprocal compensation levels
 - IP-PSTN traffic must be designated upfront as IP-enabled to avoid future billing disputes